1	TRANSCRIPTION OF RECORDED INTERVIEW
2	TRANSCRIPTION OF RECORDED INTERVIEW
3	OF
4	
5	Rusty Areias
6	
7	September 27, 2012
8	Sacramento, California
9	
10	Investigation of Department of Parks
11	and Recreation - Financial Irregularities
12	
13	Interviewed by: Thomas M. Patton
14	Deputy Attorney General
15	Office of the Attorney General
16	State of California
17	
18	
19	Transcribed by: Donna Gould
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1	(On the record at 10:17 AM)
2	MR. MATSON: I have 10:17.
3	MR. PATTON: All right. We're on the record. It is
4	Thursday, September 27. Thomas M. Patton, Deputy Attorney
5	General speaking. With me is Michael Matson, Special Agent
6	with the Department of Justice. And we have this morning
7	sir, if you'd introduce yourself and spell your last name?
8	MR. AREIAS: Tom, Rusty Areias, A-R-E-I-A-S.
9	MR. PATTON: Good morning, Mr. Areias. Thanks for
10	coming.
11	MR. AREIAS: Thank you.
12	MR. PATTON: So you, I understand, have a background
13	that includes some work at State Parks. If you could tell us
14	what that was and how you got there and how long you were
15	there.
16	MR. AREIAS: Well, in 1998, I was named State Parks
17	Director by by Governor Gray Davis and
18	MR. PATTON: When in 1998 was that?
19	MR. AREIAS: Actually, I think Gray was elected in
20	'98. I probably didn't actually get appointed until like
21	February of '99 if my memory serves me correctly, but it would
22	have been a few months after Gray was elected, which would
23	have been November of '98, and I think it was like February or
24	March by the time he got around to appointing me. It wasn't a
25	job that I had solicited. I had actually viewed myself in
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1	other roles as best being able to serve him and the state, and
2	he asked me to be State Parks Director, and I spent three
3	years in that position.
4	MR. PATTON: And you'd never worked at Parks before?
5	MR. AREIAS: No, I had been a state legislator and I
6	had been Chair of the Coastal Commission.
7	MR. PATTON: Okay.
8	MR. AREIAS: And, you know, 280 miles of the state's
9	coastline is state parks, so as Chairman of the Coastal
10	Commission and in the legislature, you deal with those issues
11	but, you know, I'd held elective office run for office
12	twenty times probably, you know, won most of them, then kind
13	of hit a bad streak.
14	MR. PATTON: Hit a slump, then you decided okay, so
15	you took a directorship.
16	MR. AREIAS: Slumped in old age.
17	MR. PATTON: And so you went in early 1999, and you
18	served in that position until do you remember when you left
19	the office?
20	MR. AREIAS: I think I thought I left
21	approximately three years later, and I left to run for the
22	state Senate seat
23	MR. PATTON: Okay.
24	MR. AREIAS: that had opened up as a result of
25	I think it was reapportionment. It was actually
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1	reapportionment, a newly reapportioned seat that Dennis
2	Cardoza was special was supposed to run for. He ended up
3	running for Congress against Gary Condit.
4	MR. PATTON: So it would have been you think maybe
5	the beginning of 2002 then that you left?
6	MR. AREIAS: I think mid-2002.
7	MR. PATTON: Mid-2002.
8	MR. AREIAS: Yeah, I believe mid-2002. I think I
9	worked up until April or May of that year and then left.
10	Something like that.
11	MR. PATTON: So from '99, 2000 so you worked most
12	of '99, all of 2000, all of 2001
13	MR. AREIAS: Correct.
14	MR. PATTON: and then mid-2002 you leave, so
15	you're there a little over three years?
16	MR. AREIAS: Right.
17	MR. PATTON: Okay. It's interesting
18	MR. AREIAS: Probably March or April of 2003 is when
19	I would have left.
20	MR. PATTON: They may have your
21	MR. AREIAS: Payroll records would show that.
22	MR. PATTON: They may have your yeah, they may
23	have your service dates because their organization chart for
24	2001, they show you on as the Director in May of 2000 is
25	the date of the organization chart. September 1, 2001,

1	they've got Ruth in as Acting Director
2	MR. AREIAS: Right.
3	MR. PATTON: but I'm not sure if their date you
4	know, who knows if it's correct. Okay. So you're there we
5	know '99, 2000, 2001, and I've got this organization chart. I
6	see you had a Chief Deputy Director was Mary Wright?
7	MR. AREIAS: Correct.
8	MR. PATTON: And then the title shows Chief Deputy
9	Director for Admin Services Denzil Verardo.
10	MR. AREIAS: Correct.
11	MR. PATTON: And I was under the mistaken impression
12	there were like two Chief Deputy Directors, one was Verardo,
13	one was Wright, and you're shaking your head no.
14	MR. AREIAS: No.
15	MR. PATTON: Mary was the Chief Deputy Director?
16	MR. AREIAS: The Chief Deputy Director.
17	MR. PATTON: Okay. And then Denzil was in charge of
18	the Admin Services side?
19	MR. AREIAS: He ran there were a bunch of Chief
20	Deputy Directors.
21	MR. PATTON: Okay.
22	MR. AREIAS: But there were a bunch of there were
23	a bunch of Deputy Directors, then there was one Chief Deputy
24	Director
25	MR. PATTON: All right.
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1	MR. AREIAS: who was who was Mary Wright.
2	MR. PATTON: So it looks to me like, based on what
3	you're saying, is that that title on this organization chart
4	for 2000 of Denzil is actually a little incorrect. It should
5	be Deputy Director like Dick Troy was Deputy Director for Park
6	Operations.
7	MR. AREIAS: Denzil probably drew up the chart.
8	MR. PATTON: So Mary was your number two, Denzil was
9	in charge of Admin Services and Dick Troy was in charge of
10	Park Operations?
11	MR. AREIAS: Right. Correct.
12	MR. PATTON: Okay. And had you known any of these
13	people before you went into the job?
14	MR. AREIAS: Not well, I knew Denzil because his
15	wife, Ginny Verardo, had worked for me as when I was an
16	assembly person in my Salinas office. They lived in
17	Castroville at the time, but he had been a career guy at State
18	Parks.
19	MR. PATTON: Denzil had?
20	MR. AREIAS: I but I didn't know him well. I
21	mean, his wife Ginny worked for me and, you know, I'd see him
22	at Christmas parties and occasionally but did not know him
23	well.
24	MR. PATTON: And then how did did you select Mary
25	Wright to be the Chief Deputy?

1	MR. AREIAS: Yes. Right. I mean, I I you
2	know, I really didn't know anything about State Parks. You
3	know, Gray my own self-image was not had never been as a
4	State Parks Director, didn't see myself in that role, and for
5	whatever reason, Gray Davis did.
6	And he had offered me numerous positions throughout
7	state government, and anyway, I ended up taking the State
8	Parks job, and it was one of the best decisions I ever made
9	and, you know, had a great three-year run there and was really
10	impressed with the quality of the people, you know, on my
11	executive team, you know, very, very, very impressed with
12	their commitment, their talents, their commitment to State
13	Parks, to the state government, you know, the system.
14	MR. PATTON: Did you have much interaction with the
15	people I assume you interacted fairly regularly with Denzil
16	Verardo. He's the guy who's in charge of matters financial.
17	MR. AREIAS: Correct. Yes. Yes.
18	MR. PATTON: So you would meet with him regularly?
19	MR. AREIAS: Correct.
20	MR. PATTON: How often did you meet with someone like
21	Denzil on financial matters?
22	MR. AREIAS: Well, Denzil would have been a part of
23	our executive team so, you know and I don't remember
24	whether we met every two weeks or whether we met weekly, you
25	know, as an executive staff but but, you know, he was
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1	MR. PATTON: It was frequent?
2	MR. AREIAS: he was one of the four or five top
3	people, you know, that were always in the meeting.
4	MR. PATTON: Is he the guy that you relied on to give
5	you briefings about financial matters?
6	MR. AREIAS: Yes, and and at times depended
7	you know, and a lot of that was it depended on the time of
8	the year. You know, obviously if you were if you were
9	doing you know, preparing for budget or subcommittee
10	hearings, then, you know, you would you would spend time
11	more time on those issues and, you know, he might bring in his
12	support staff.
13	MR. PATTON: So who of his support staff would you
14	also get briefed by?
15	MR. AREIAS: Tom Domnitch.
16	MR. PATTON: Tom Domnitch. I see he was the
17	Financial Management Division head.
18	MR. AREIAS: Right. Becky Brown.
19	MR. PATTON: I see she was the Budget Section
20	Leader
21	MR. AREIAS: Yeah.
22	MR. PATTON: the Budget Officer. Is that your
23	recollection?
24	MR. AREIAS: Yeah, more often Becky than than
25	Freda.

1	MR. PATTON: Freda was the accounting Freda
2	Luan-Dun
3	MR. AREIAS: Right.
4	MR. PATTON: L-U-A-N hyphen D-U-N.
5	MR. AREIAS: Right. And then Ruth Coleman because
б	Ruth Ruth had you know, had significant budget
7	experience having worked for Mike Thompson and, you know, been
8	over to LA, and she was she was a part of that also.
9	MR. PATTON: Now, during your tenure as Director, she
10	was the Deputy Director for legislation?
11	MR. AREIAS: Correct.
12	MR. PATTON: Okay. So she was your legislative
13	liaison?
14	MR. AREIAS: Right. But with stints of budget
15	experience.
16	MR. PATTON: Yeah.
17	MR. AREIAS: Right.
18	MR. PATTON: Because she came from the LA the
19	Legislative
20	MR. AREIAS: She had been she had been Mike
21	Thompson's chief budget person
22	MR. PATTON: Okay.
23	MR. AREIAS: and he was he was Budget Director
24	of the Senate.
25	MR. PATTON: Now, do me a favor for a transcriber
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1	because we're going to have this transcribed, so don't wait
2	until I finish the air escapes my
3	MR. AREIAS: Okay. Okay. All right.
4	MR. PATTON: before you start. Okay? Makes it
5	easier on them. So Ruth would be involved back then in the
6	budget discussions as well?
7	MR. AREIAS: Yeah, typically, you know, in terms of
8	strategies and those types of things, you know, preparation
9	because of her experience, right.
10	MR. PATTON: Yeah. Were you
11	MR. AREIAS: She didn't just do legislation. Of
12	course, the budget is legislation so
13	MR. PATTON: Right. And you were aware that in her
14	previous capacity, she had actually worked at the Legislative
15	Analyst's office and
16	MR. AREIAS: Oh, absolutely. Sure. I hired her.
17	MR. PATTON: Oh, okay. Into that Deputy Director
18	MR. AREIAS: I hired her at Dave Widell's
19	recommendation.
20	MR. PATTON: To be the Deputy Director of
21	legislation?
22	MR. AREIAS: Correct.
23	MR. PATTON: Okay. And that one of her areas of
24	experience had been the Parks Department budget. Did you know
25	that?

1	MR. AREIAS: I didn't know that.
2	MR. PATTON: Okay.
3	MR. AREIAS: I don't recall that. I mean, I know it
4	at the time, but I don't recall
5	MR. PATTON: But you knew that she had budget
6	experience?
7	MR. AREIAS: Right.
8	MR. PATTON: Okay.
9	MR. AREIAS: And legislative experience.
10	MR. PATTON: Right.
11	MR. AREIAS: You know, and a Harvard degree and, you
12	know, Claremont College and you know, I mean, she had a
13	very impressive resume.
14	MR. PATTON: So you've obviously paid attention to
15	the media. You've seen the reports about fund report
16	discrepancies?
17	MR. AREIAS: Tom, when my name's in the media, I pay
18	attention.
19	MR. PATTON: Okay. And before we went on the record,
20	I showed you the spread sheets, and I have explained that what
21	I'm really interested in knowing is whether and I've showed
22	you the spread sheets showing the discrepancy in reports
23	year-end reports to Controller in Finance regarding the State
24	Park & Rec Fund going back as far as '93.
25	And then we looked at this. I showed you where that

1	discrepancy that was around five million, give or take, from
2	'93 through '97 started growing at the year-end '98, and again
3	in '99, 2000, 2001 through, it grew until the end of '04. So
4	it kind of started growing before you got there and this
5	discrepancy continued to grow until even after you left.
6	And I guess the first basic question is did your
7	financial people, any of them, Ruth or Denzil or Tom Domnitch
8	or Becky Brown or Freda Luan-Dun, did any of those financial
9	people ever mention to you that they were having a little
10	trouble reconciling the balance statement being reported to
11	Finance with the balance statement being reported to
12	Controller?
13	MR. AREIAS: No.
14	MR. PATTON: Okay. So I assume then that when the
15	stories about this hit, that I assume then was a complete
16	surprise to you?
17	MR. AREIAS: Well, it was a complete surprise that
18	that it there was mention that this had been going back
19	twelve years and, you know, when I quickly calculated, you
20	know, who was Parks Director twelve years ago and who was
21	governor, you know, it was it was Gray Davis and Rusty
22	Areias, well, you know, I called the reporters who had
23	reported this and asked them where they got the information,
24	and they said it had come out of the press conference, not
25	naming us specifically but that it had been going on for
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1	twelve years.
2	And so I called I called, you know, my some of
3	my old contacts at the Department of Finance and I said, you
4	know, get me those numbers, I want to I want to see those
5	numbers, and they got them back to 1998, which was Wilson's
6	last year, and obviously, you know, that would have been, you
7	know, this year right here, and there was a discrepancy then.
8	MR. PATTON: Right.
9	MR. AREIAS: You know, so I knew it had gone on
10	longer than
11	MR. PATTON: Even longer than the twelve years.
12	MR. AREIAS: Than the twelve years, that it went back
13	into, you know, well probably well into the Wilson
14	administration as well so, you know, why they had chosen, you
15	know, the twelve-year period, you know, and and, you know,
16	indicated that it had started under Gray Davis and when I
17	was Parks Director, you know, I didn't know what the
18	motivation or the reasoning for that was.
19	MR. PATTON: For what?
20	MR. AREIAS: For why they would have chosen twelve
21	years.
22	MR. PATTON: Oh, well, I wouldn't take personal
23	offense. I mean, at that point and we have the press
24	release out in front of us. I think at that point, there was
25	still an effort, and the effort remains ongoing, to identify
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1	the numbers, and initially I think
2	MR. AREIAS: Well, I it's not about personal
3	offense but, you know, me in my position, not in state
4	government, I had no trouble accessing the 1998 numbers
5	MR. PATTON: Yeah.
6	MR. AREIAS: which showed a discrepancy, so why
7	would you choose twelve years
8	MR. PATTON: Yeah.
9	MR. AREIAS: to go back? You know, and frankly,
10	it was troubling to me and I was I began calling, you know,
11	my deputies and other people trying to reconstruct, you know,
12	what what took place
13	MR. PATTON: So let's talk about that.
14	MR. AREIAS: because I'm very proud of my time at
15	State Parks.
16	MR. PATTON: Let's talk about that. Who did you
17	contact? Who have you talked to?
18	MR. AREIAS: Well, I mean, I first contacted, you
19	know, Mary Wright, I talked to Dick Dick Troy, and
20	everybody said have you talked to Denzil, you know, and I
21	finally got a hold of Denzil. I think he was on vacation.
22	And nobody seemed to really have any any answers.
23	You know, Denzil had mentioned he was going to talk
24	to to Tom Domnitch and he was going to try to get a hold of
25	Becky Brown, but I don't I don't at the time, he didn't

1	know where she was or what she was doing but, you know, I
2	never did I mean, until you and I had our discussion
3	earlier today, I really I was kind of in the dark. I had
4	my own theories about, you know, what had happened and why it
5	had happened and, you know, what incentives there might be
6	to to you know, to not disclose.
7	But our problem was in the three years I was there
8	was that we had too much money. We couldn't spend the money
9	we had. There was you know, it was it was a paradox to
10	me, illogical that we would be trying to you know, that
11	anybody would be trying to hide money. We had more money than
12	we could spend because of the bond issues and because of the
13	156 million that Gray Davis gave us
14	MR. PATTON: Okay. Let's stop for a second.
15	MR. AREIAS: just for maintenance.
16	MR. PATTON: So just for the record, you mentioned
17	the discussion that you and I had previously earlier
18	MR. AREIAS: Yeah.
19	MR. PATTON: before we went on the record, and I
20	just want the record to reflect what we did, which was I
21	showed you the spread sheet
22	MR. AREIAS: Right.
23	MR. PATTON: which has the State Park & Rec Fund
24	and the OHV, Off-Highway Vehicle fund numbers, and I gave you
25	a little bit of a background briefing as to the numbers that
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1	are now available, and I showed you that now we have a spread
2	sheet going back to '93 that shows there was a disparity in
3	funding reports back then, right?
4	MR. AREIAS: Right. That's correct.
5	MR. PATTON: So this is what we were talking about
6	earlier. I wanted to give you a little I wanted to give
7	MR. AREIAS: And we don't have anything prior to '93?
8	MR. PATTON: Not that I have seen.
9	MR. AREIAS: Right.
10	MR. PATTON: Okay. So we went over these numbers. I
11	wanted to show you that it appears that there was a growth
12	period between '98 and '04, and then we started talking
13	about and which is what I now we're on the record, I
14	want to talk about the conversations you've had. You
15	indicated you talked with Mary Wright and you said you talked
16	with Dick Troy, and they both said have you talked with
17	Denzil
18	MR. AREIAS: Right.
19	MR. PATTON: Denzil Verardo. Now, did you have
20	any more conversation other with Mary Wright other than to
21	say her saying to you have you talked to Denzil? I mean,
22	what did she say about what she'd seen and you'd seen in the
23	press release and the articles?
24	MR. AREIAS: You know, I I mean, in the case of
25	Mary, I mean, because, you know, there is almost no one who
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1	cares more deeply about about State Parks than Mary Wright,
2	I mean, she was just devastated, I mean, to the point where
3	she was scheduled to be the head of the Save the Redwoods
4	League.
5	MR. PATTON: Scheduled now?
6	MR. AREIAS: To be the next president of the Save the
7	Redwoods League where she was considering or has removed
8	herself from consideration because because of what's taken
9	place in State Parks.
10	MR. PATTON: She was a long-term employee there,
11	right?
12	MR. AREIAS: And, I mean and
13	MR. PATTON: Well, tell me what her background was to
14	the best of your recollection.
15	MR. AREIAS: You know, grew up in Boston
16	MR. PATTON: I mean with Parks. What was her Parks
17	experience? Because you indicated she'd been there
18	MR. AREIAS: She'd been there a long time. She
19	started out as a you know, went to ranger school
20	MR. PATTON: Yeah.
21	MR. AREIAS: the academy and became a ranger but,
22	you know, it goes back to when she used to go on family
23	vacations to the national parks as a kid. Those were her
24	family vacations. They'd pack everything in the station wagon
25	and drive across the country and go to state parks.

1	MR. PATTON: Had she spent time when you picked
2	her as Chief Deputy, had she spent any time in the
3	headquartered administration? Had she had experience with the
4	financial side of things?
5	MR. AREIAS: I think she was more operational.
6	Maybe some. I think she had spent some time in Sacramento but
7	not a not a great deal.
8	MR. PATTON: She had
9	MR. AREIAS: She had maybe been there a year or two.
10	MR. PATTON: She hadn't been part so she was in
11	Sacramento when you picked her?
12	MR. AREIAS: No. No, she was she was in she
13	was in Monterey contemplating retirement.
14	MR. PATTON: Okay. So as far as you knew, she had
15	never been in headquarters running Administrative Services?
16	MR. AREIAS: She no, but she did have if my
17	memory serves me correct, she did have some Sacramento
18	experience. She'd spent some time
19	MR. PATTON: Okay.
20	MR. AREIAS: in Sacramento. I don't know it was
21	six months or a year but
22	MR. PATTON: So
23	MR. AREIAS: most of the time she had been in the
24	field.
25	MR. PATTON: So all indications you got from her was
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1	that this was a huge surprise and story to her as well that
2	there was a discrepancy in Fund Balance Reports?
3	MR. AREIAS: Correct.
4	MR. PATTON: Okay. Then you talked you said
5	also
6	MR. AREIAS: It was the conversations were really
7	kind of a reconstruct.
8	MR. PATTON: Well, what did you reconstruct?
9	MR. AREIAS: Our time there.
10	MR. PATTON: Yeah.
11	MR. AREIAS: I mean, twelve years later, go back and
12	try to reconstruct and see what people remember, kind of just
13	trade information trying to get an answer.
14	MR. PATTON: What answers did you get?
15	MR. AREIAS: None.
16	MR. PATTON: Okay. So let me ask, just step by step,
17	so then you talked to Dick Troy, and he had been the Deputy
18	Director for Operations when you came in, right?
19	MR. AREIAS: Right. Correct.
20	MR. PATTON: Did you pick him also as Deputy Director
21	for Operations?
22	MR. AREIAS: He may have I probably did, you know,
23	but he may have been there already. I I don't recall
24	exactly but but he you know, he was he was a critical
25	part of our team. You had a southern California chief
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1	MR. PATTON: Yeah.
2	MR. AREIAS: a northern California chief and then
3	you had somebody that was overall you know, both and then
4	there were
5	MR. PATTON: And that was Dick Troy?
6	MR. AREIAS: Dick Troy, correct.
7	MR. PATTON: Now, what, if anything, did he say
8	what was his response to the reports that there were
9	disparities in Fund Balance Reports?
10	MR. AREIAS: I mean, devastated. These people love
11	State Parks. They've spent their entire careers there, yeah.
12	MR. PATTON: Okay. So he indicated this was all news
13	to him as well?
14	MR. AREIAS: He indicated it was all news to him and
15	have you talked to Denzil.
16	MR. PATTON: Okay. Did you talk with Denzil?
17	MR. AREIAS: I did talk to Denzil.
18	MR. PATTON: What did Denzil say?
19	MR. AREIAS: Denzil Denzil was just trying to
20	reconstruct it also. He never I said Denzil, was there
21	ever any conscious effort on anybody's part to to not
22	disclose fund balances, and he said absolutely not. He said I
23	don't you know, and he said I I've talked to Tom
24	Domnitch, I don't know how to get a hold of Becky Brown or
25	or Freda. He said

1	MR. PATTON: So Denzil indicated he had talked to Tom
2	Domnitch?
3	MR. AREIAS: Yeah. Yeah.
4	MR. PATTON: Did he indicate what Tom Domnitch had
5	told him, how that conversation went?
6	MR. AREIAS: I mean, he just there was nothing
7	there was nothing that he didn't find out anything.
8	MR. PATTON: He wasn't getting any answers out of
9	Domnitch?
10	MR. AREIAS: No.
11	MR. PATTON: And he didn't he indicated he might
12	try to talk to Becky Brown, but he didn't indicate he
13	MR. AREIAS: Didn't know how to get a hold of her
14	MR. PATTON: Hadn't been success
15	MR. AREIAS: or where she was.
16	MR. PATTON: Had not been successful?
17	MR. AREIAS: Correct. Correct.
18	MR. PATTON: Okay. Did
19	MR. AREIAS: Thought maybe Freda worked somewhere in
20	Finance or somewhere
21	MR. PATTON: Okay.
22	MR. AREIAS: that she was still working somewhere
23	in state
24	MR. PATTON: Freda Luan-Dun?
25	MR. AREIAS: Right.
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1	MR. PATTON: Let me finish my
2	MR. AREIAS: Right.
3	MR. PATTON: Got to let me finish my sentence.
4	MR. AREIAS: Okay. Yeah, I'm kind of a self
5	MR. PATTON: Got to.
6	MR. AREIAS: I'm kind of a self-interview, Tom.
7	MR. PATTON: I know.
8	MR. AREIAS: Yeah.
9	MR. PATTON: So he did not indicate he had talked to
10	Freda Luan-Dun? Okay. You talk with anybody else? Talk with
11	Ted Jackson?
12	MR. AREIAS: Briefly. But Tony Perez. I talked to
13	Tony Perez, right.
14	MR. PATTON: Okay. What did Tony Perez tell you?
15	MR. AREIAS: Tony told me he believed that I mean,
16	that's where the theory really kind of came from.
17	MR. PATTON: What theory?
18	MR. AREIAS: That that there was this additional
19	money, that he believed that the people highest up in state
20	government
21	MR. PATTON: Tony Perez indicate to you that he also
22	had been aware there was additional money?
23	MR. AREIAS: He thought that there was additional
24	money and that and that people higher up were aware of it
25	and that Michael Harris and Ruth, who both loved to tinker

1	with the budget numbers, according to him, that they were
2	they were aware of it and that, you know, what would happen
3	was that every year they would they would go into into
4	this this budget process and they would they would say
5	you've got to cut so much out and
6	MR. PATTON: "They" who would say?
7	MR. AREIAS: Finance would say.
8	MR. PATTON: To Parks leadership?
9	MR. AREIAS: To Parks. You've got to cut so much
10	out, and then Parks would respond by saying well, we're going
11	to have to close twenty or thirty or forty parks, seventy
12	parks and
13	MR. PATTON: To achieve the cuts you're proposing?
14	MR. AREIAS: Correct. And that no governor when
15	push came to shove that every governor would blink, that none
16	of them had had the political courage to do it.
17	MR. PATTON: Actually close parks?
18	MR. AREIAS: To be the first governor in the state's
19	history to close parks
20	MR. PATTON: Okay.
21	MR. AREIAS: for budget reasons.
22	MR. PATTON: Okay.
23	MR. AREIAS: And then Jerry Brown comes along
24	Governor Brown comes along and they propose a certain number
25	and Parks

1	MR. PATTON: "They" Finance?
2	MR. AREIAS: Finance proposes a number and Parks
3	says
4	MR. PATTON: Of closures?
5	MR. AREIAS: Yes.
6	MR. PATTON: Okay.
7	MR. AREIAS: No. No, not of closures.
8	MR. PATTON: A budget number.
9	MR. AREIAS: A budget number.
10	MR. PATTON: A finance number.
11	MR. AREIAS: And Parks says okay, but we're going to
12	have to close seventy parks, and Governor Brown's people said
13	good, when can we start closing them, so he call Governor
14	Brown called them on their bluff.
15	MR. PATTON: Now, you're getting this information
16	from where?
17	MR. AREIAS: Tony.
18	MR. PATTON: Okay. Tony Perez. Okay. Go ahead. So
19	Tony I want to make sure we're clear on this. Tony gave
20	you his opinion that
21	MR. AREIAS: Speculative.
22	MR. PATTON: Okay.
23	MR. AREIAS: Speculative but, you know, he was also
24	there. I mean, he was there (indiscernible)
25	MR. PATTON: I understand that. I want to
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1	MR. AREIAS: and so it was it was more than the
2	kind of speculation that had been taking place amongst the
3	dialogue from those of us that had been there twelve years
4	ago
5	MR. PATTON: Right.
6	MR. AREIAS: you know, because Tony was actually
7	there. And it all kind of made sense.
8	MR. PATTON: I want to I got to make this record
9	clear.
10	MR. AREIAS: Go ahead.
11	MR. PATTON: Tony is telling you that this is his
12	theory, his hypothesis as to whether or not the leadership was
13	aware of any undisclosed monies?
14	MR. AREIAS: I would say it was an educated
15	hypothesis.
16	MR. PATTON: Right. As opposed to someone telling
17	him directly yeah, I know we have these monies but we're not
18	going to report it.
19	MR. AREIAS: And as I recall it, he remembered being
20	in meetings where the surplus was discussed.
21	MR. PATTON: Okay. So you've talked with Dick Troy,
22	Mary Wright, Denzil, Tony Perez.
23	MR. AREIAS: And Tony was by far the most
24	informative.
25	MR. PATTON: Okay.
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1	MR. AREIAS: Which makes sense because he was there.				
2	MR. PATTON: More recently.				
3	MR. AREIAS: Well, the others hadn't been there in				
4	ten years.				
5	MR. PATTON: Right. He was part of the recent				
6	administration. And before Tony Perez, the Parks Operation				
7	Director was someone named Ted Jackson. Do you know him?				
8	MR. AREIAS: Yes.				
9	MR. PATTON: Although he had not been Parks Operation				
10	Director when you were the director of the agency?				
11	MR. AREIAS: Tony Ted Jackson was the liaison to				
12	the State Parks Commission when I was there.				
13	MR. PATTON: Okay.				
14	MR. AREIAS: We then where he did a great job. We				
15	then sent him to Fresno where he did a great job as a				
16	superintendent, then he went to Baldwin Hills where he also				
17	did a great job and				
18	MR. PATTON: What did Ted Jackson tell you about the				
19	financial discrepancies?				
20	MR. AREIAS: I don't I don't really recall.				
21	Usually when I talked to Ted, he was calling me to inform me				
22	that he had left his position and that he was interested in				
23	putting his name in to be State Parks Director.				
24	MR. PATTON: Did you talk with Ted Jackson after this				
25	story came out in July about the financial reporting				

1	discrepancies?				
2	MR. AREIAS: I don't recall. I may have, but it's				
3	not a conversation that				
4	MR. PATTON: Okay.				
5	MR. AREIAS: that I recall.				
6	MR. PATTON: Have you talked with Bill Barry,				
7	another				
8	MR. AREIAS: No.				
9	MR. PATTON: former Parks Operation				
10	MR. AREIAS: No, I have not. I have not.				
11	MR. PATTON: another former Parks Operations				
12	Deputy Director?				
13	MR. AREIAS: I have not.				
14	MR. PATTON: Okay. Anybody else you've talked to at				
15	Parks, former or				
16	MR. AREIAS: Dave Van Cleve.				
17	MR. PATTON: Who is he?				
18	MR. AREIAS: Dave Van Cleve was he's now with the				
19	Nature Conservancy, but he ran Anza-Borrego for us, our				
20	largest park, 640,000 acres and, you know, he had aspired to				
21	be State Parks Director, put his name in to be State Parks				
22	Director, so I talked to him.				
23	MR. PATTON: Okay. And				
24	MR. AREIAS: But he was a superintendent down at				
25	Anza-Borrego, you know, as far south as you can get and still				
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be in the state when I was you know, when I was running		
you know, when I was running State State Parks.		
MR. PATTON: Have you talked to Ruth Coleman?		
MR. AREIAS: No.		
MR. PATTON: No?		
MR. AREIAS: No.		
MR. PATTON: Michael Harris?		
MR. AREIAS: No.		
MR. PATTON: So you we've covered everyone that		
you've talked to current or former Parks people?		
MR. AREIAS: I think so. I talked to Kirk Sturm.		
MR. PATTON: Kirk Sturm.		
MR. AREIAS: Right.		
MR. PATTON: And tell me now, Kirk worked for you		
as well?		
MR. AREIAS: Yes.		
MR. PATTON: What was his capacity when you were		
there?		
MR. AREIAS: He was he took over Hearst Castle,		
superintendent of Hearst Castle at the at the monument at		
Hearst Castle.		
MR. PATTON: And that's a pretty important post?		
MR. AREIAS: Sure. Yeah, things had really		
deteriorated there. Relations with the community and county		
and city of San Luis Obispo had really deteriorated, and he		
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1	came in and just and the Hearst family. He just did a			
2	great job.			
3	MR. PATTON: Did you did he ever work in any other			
4	position while you were Director?			
5	MR. AREIAS: No.			
6	MR. PATTON: Okay. So he was always the			
7	superintendent of Hearst?			
8	MR. AREIAS: Well, initially initially he was			
9	when I first became Director, there was a woman named Debra			
10	Weldon at at the Hearst Castle Monument, and we replaced			
11	her with with Kirk Sturm, so he was in another position,			
12	and I don't recall what it was.			
13	MR. PATTON: So you talked to Kirk after this story			
14	broke in July about the funding disparities?			
15	MR. AREIAS: Yes.			
16	MR. PATTON: And what did he say?			
17	MR. AREIAS: You know, I mean, everybody was kind of			
18	sick about it, but nothing really that enlightening.			
19	MR. PATTON: So nobody's indicated to you that they			
20	ever had any knowledge that this disparity in reporting had			
21	been occurring?			
22	MR. AREIAS: No.			
23	MR. PATTON: Now, I showed you the numbers. I showed			
24	you where the SPRF disparity in reports to Finance and			
25	Controller grew from '98 to 2004, and I guess I'm repeating			

1	the question. No budget person, no admin services person or
2	any financial person ever talked to you about excess funds in
3	their budgets that needed to be dealt with?
4	MR. AREIAS: Our entire our entire tenure at State
5	Parks was was one of abundance. You know, the cupboard was
6	overflowing. Two park bonds and we showed up with 156 million
7	dollars Gray gave me 156 million to show up with for
8	deferred maintenance which had accumulated over twelve years.
9	That's why this is so illogical to me, you know, that
10	they that they'd take it back to our administration, you
11	know, that that I mean, obviously there was a
12	discrepancy that that was being carried forward and that
13	was that was growing because our focus
14	MR. PATTON: You're saying that you're saying
15	that wait a minute. You're saying that based on what
16	you're seeing in front of you?
17	MR. AREIAS: Correct.
18	MR. PATTON: Okay.
19	MR. AREIAS: That's correct. But but our focus
20	was how do we manage this excess of abundance, this how do
21	we manage these funds because you had you had a generation
22	of superintendents who had never managed a capital outlay
23	project, so I brought in Mark Schrader, you know, to train
24	them to bring in projects on budget, on time, you know, how
25	to how to conduct a competitive bidding process, you know,
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1	those those types of things because, you know, I mean, 156
2	million dollars for a bunch of superintendents who had never
3	managed a project, I mean, it was a problem
4	MR. PATTON: Okay. So
5	MR. AREIAS: so we spent a lot of time and
6	resources on that.
7	MR. PATTON: So my question was pretty bad. I asked
8	you if anybody ever talked to you about surplus funds, and the
9	response is well, clearly yes, we had a 156 million dollar
10	infusion of funds and we had a lot of money to work with so
11	MR. AREIAS: It was my mantra. I would tell people
12	you get in trouble in state government when you have too much
13	money.
14	MR. PATTON: But the question my real question is
15	anybody ever tell you we've got an issue with discrepancies
16	MR. AREIAS: No.
17	MR. PATTON: in our reports?
18	MR. AREIAS: No, never.
19	MR. PATTON: Okay.
20	MR. AREIAS: Never.
21	MR. PATTON: All right. And then we covered the OHV
22	a little bit. I don't know. Who reported to you about
23	financial status of the OHV accounts?
24	MR. AREIAS: Well, that that would have been Dave
25	Widell who was my my Deputy Director.

1	MR. PATTON: Of OHV?		
2	MR. AREIAS: Right. Now deceased.		
3	MR. PATTON: Okay. And were there any issues you		
4	can first of all, any ever any mention of we've had a		
5	disparity in reports as to the OHV fund balance?		
6	MR. AREIAS: No, I you know, at our executive		
7	meeting, I would get regular reports on the OH on the		
8	special fund balances. I would get those		
9	MR. PATTON: Yeah.		
10	MR. AREIAS: and we and we would talk about		
11	those but		
12	MR. PATTON: But nobody ever said to you oh, look,		
13	Director, we've got a different number in the Finance reports		
14	as to the Controller's reports?		
15	MR. AREIAS: Not that I recall.		
16	MR. PATTON: Okay. Did he ever talk about any		
17	peculiarity you know, any significant issues in the OH		
18	funds that were brought to your attention, do you recall?		
19	MR. AREIAS: You know, I mean, mostly it was it		
20	was there were other elements within the Parks family, other		
21	constituencies within that family who were trying to take that		
22	money, but that that had been going on from day one, you		
23	know, because I you remember how well, I described it		
24	that you have the ranger and lifeguard culture and then you		
25	have the environmental groups which increasingly become		

1	dependent on the bonds and then you have you have the off-
2	highway vehicle active recreation folks and, you know,
3	culturally they were just a lot different than the other folks
4	in Parks and you know, and
5	MR. PATTON: So you were
6	MR. AREIAS: they were trying to expand the number
7	of off-highway vehicle parks that you have in California, and
8	trying to locate one of those was like trying to locate a
9	prison. I mean, it was you know, communities were not very
10	welcoming and environmental groups would fight them and then
11	they they would fight them in terms of trying to to
12	locate the park
13	MR. PATTON: Okay. I
14	MR. AREIAS: and then when they couldn't get the
15	park located, then they'd come after their money to try to use
16	it for something else they wanted to do, and so it was this
17	constant
18	MR. PATTON: Okay. I need to take our discussion
19	kind of to concluding back onto the issue of fund reporting.
20	So I've asked you you've talked with a number of people.
21	Everyone you've talked to, no one's indicated any prior
22	knowledge of this issue that's been reported in the paper. Do
23	you
24	MR. AREIAS: Other than my discussions which I
25	described to you with Tony Perez.

1	MR. PATTON: Okay. And that's right. And any
2	other thing you want to add to this discussion on that issue
3	of the existence of disparity in fund reports to Finance and
4	Controller? Any other thoughts you've had? Anything I should
5	have asked you that should be on this record?
6	MR. AREIAS: I don't I mean, I'm you know, I
7	really have more questions than I have answers on this stuff.
8	I mean, I don't I'm still trying to figure out, you know,
9	what went wrong and how you know, how this all could have
10	happened.
11	MR. PATTON: Okay.
12	MR. AREIAS: It's just been it's been, you know,
13	devastating, I think, for State Parks and morale over there
14	and not to mention the toll it's had on, you know, some
15	individuals like Ruth Coleman which is, you know, a sad way to
16	leave her position.
17	MR. PATTON: Okay. Do you have any I don't even
18	want to ask for an opinion, but I think we're going to
19	conclude at that unless you have anything further you want to
20	add.
21	MR. AREIAS: I don't have anything else.
22	MR. PATTON: Okay. We will go off
23	MR. AREIAS: Thank you.
24	MR. PATTON: go off the record at 10:53.
25	(Off the record at 10:53 AM)
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1	
2	TRANSCRIBER'S CERTIFICATE
3	Rusty Areias interview on 9-27-12
4	
5	
6	STATE OF CALIFORNIA)
7) ss.
8	COUNTY OF SACRAMENTO)
9	
10	This is to certify that I transcribed the foregoing
11	pages 1 to 34 to the best of my ability from an audio
12	recording submitted by Heidi Webb at the California
13	Department of Justice, in Sacramento, California.
14	I have subscribed this certificate at New York, New
15	York, this 4th day of October, 2012.
16	
17	
18	
	Donna Gould
19	eScribers, Inc.
20	
21	
	000
22	
23	
24	
25	
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